

VILLAGE OF CHATHAM, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets	10
Statement of Activities	11
Governmental Funds – Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	13
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds – Statement of Net Assets	16
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Assets	17
Proprietary Funds – Statements of Cash Flows	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule	29
Major Road Fund – Budgetary Comparison Schedule	30
Local Road Fund – Budgetary Comparison Schedule	31

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	33
Major Governmental Funds – Major Road Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	36
Major Governmental Funds – Local Road Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	37
Non-Major Governmental Funds – Special Revenue – Liquor Law Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	38

COMPLIANCE SUPPLEMENTS

Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Report to Management Letter	42



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITOR'S REPORT

The Village Board of Trustees
Village of Chatham, Michigan
PO BOX 167
Chatham, Michigan 49816

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chatham, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Chatham, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chatham, Michigan, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, on our consideration of the Village of Chatham, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Village Board of Trustees
Village of Chatham, Michigan

The management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 28 through 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Chatham, Michigan's basic financial statements. The combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Andersen, Tackman, & Company, P.L.C.
Certified Public Accountants

November 14, 2008

Village of Chatham, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Village of Chatham's financial performance provides an overview of the Village's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Village as a whole decreased by \$19,515 as a result of this year's operations. Net assets of our business-type activities decreased by \$33,472, or 3 percent, and net assets of our governmental activities increased by \$13,957, or 5 percent.
- During the year, the Village had expenses for governmental activities that were \$67,240 which is \$12,258 less than the \$79,498 generated in program revenue sources.
- During the year, the Village had expenses for business-type activities that were \$113,033 which is \$33,472 more than the \$79,561 generated in program revenue sources.
- The General Fund reported a net fund balance of \$46,788, which is an increase of \$7,740 as a result of this year's operation.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities, on pages 10 and 11, provide information about the activities of the Village of Chatham, Michigan as a whole and present a longer-term view of the Village of Chatham, Michigan's finances. Fund financial statements, start on page 12, tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Village of Chatham, Michigan's operations in more detail than the government-wide financial.

Reporting the Village as a Whole

Our analysis of the Village of Chatham, Michigan as a whole begins on page 6. One of the most important questions asked about the Village of Chatham, Michigan's finances is "Is the Village of Chatham, Michigan as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village of Chatham, Michigan as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Village of Chatham, Michigan's *net assets* and changes in them. You can think of the net assets - the difference between assets and liabilities - as one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the patron base and the condition of the capital assets, to assess the *overall financial health* of the Village of Chatham, Michigan.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Village of Chatham, Michigan into two kinds of activities:

- **Governmental Activities** – Most of the Village of Chatham, Michigan's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Village of Chatham, Michigan charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village of Chatham's Water System and Sewer System activities are reported here.

Table I provides a summary of the Village of Chatham's net assets as of June 30, 2008 and 2007.

Table 1
Net Assets

	2008			2007		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$226,160	\$204,415	\$430,575	\$203,933	\$179,731	\$383,664
Capital assets, net	69,030	1,117,340	1,186,370	73,035	1,179,909	1,252,944
Total Assets	295,190	1,321,755	1,616,945	276,968	1,359,640	1,636,608
Current liabilities	7,873	12,421	20,294	3,608	11,834	15,442
Non-current liabilities	-	180,000	180,000	-	185,000	185,000
Total Liabilities	7,873	192,421	200,294	3,608	196,834	200,442
Net Assets:						
Invested in capital assets, net of related debt	69,030	932,340	1,001,370	73,035	990,909	1,063,944
Restricted	-	58,002	58,002	-	58,002	58,002
Unrestricted (deficit)	218,287	138,992	357,279	200,325	113,895	314,220
Total Net Assets	\$287,317	\$1,129,334	\$1,416,651	\$273,360	\$1,162,806	\$1,436,166

Net assets of the Village's governmental activities stood at \$287,317. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$218,287.

The \$218,287 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$1,129,334. The Village can generally only use these net assets to finance continuing operations of the Water System and Sewer System operations.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2008 and 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Change in Net Assets

	2008			2007		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues						
Program Revenues:						
Charges for services	\$10,425	\$75,303	\$85,728	\$11,888	\$76,773	\$88,661
Operating Grants and Contributions	34,485	-	34,485	36,347	-	36,347
General Revenues:						
Property taxes	19,349	-	19,349	18,398	-	18,398
State Sources	19,729	-	19,729	19,729	-	19,729
Interest and Miscellaneous	6,337	4,258	10,595	7,414	5,847	13,261
Total Revenues	<u>90,325</u>	<u>79,561</u>	<u>169,886</u>	<u>93,776</u>	<u>82,620</u>	<u>176,396</u>
Program Expenses:						
Legislative	3,075	-	3,075	3,725	-	3,725
Elections	-	-	-	-	-	-
General Services and administration	23,116	-	23,116	27,334	-	27,334
Public Safety	658	-	658	27	-	27
Public Works	45,485	-	45,485	42,382	-	42,382
Community and Economic Development	-	-	-	-	-	-
Other Expense	1,959	-	1,959	1,024	-	1,024
Unallocated Depreciation	2,075	-	2,075	2,075	-	2,075
Sewer system	-	28,298	28,298	-	24,700	24,700
Water system	-	84,735	84,735	-	86,362	86,362
Total Expenses	<u>76,368</u>	<u>113,033</u>	<u>189,401</u>	<u>111,062</u>	<u>76,773</u>	<u>187,629</u>
Increase (decrease) in net assets	13,957	(33,472)	(19,515)	17,209	(28,442)	(11,233)
Net assets, beginning,	273,360	1,162,806	1,436,166	256,151	1,191,248	1,447,399
Net Assets, Ending	<u>\$287,317</u>	<u>\$1,129,334</u>	<u>\$1,416,651</u>	<u>\$273,360</u>	<u>\$1,162,806</u>	<u>\$1,436,166</u>

The Village's total revenues were \$169,886. The total cost of all programs and services was \$151,671, leaving a decrease in net assets of \$19,515. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The Governmental Activities experienced an increase in net assets for the year of \$13,957.

Key reasons for the change in net assets are as follows:

- Net Increase in governmental fund balances of \$12,258
- Depreciation charged to expenditures of \$(2,075)
- Net increase in Internal Service Funds of \$3,774

Business-type Activities

The Business-Type Activities had a Net Loss of \$28,442 which is resulting from not charging users enough to cover depreciation expense.

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental funds (as presented in the balance sheet on page 12 reported a *combined* fund balance of \$199,395, an increase of \$12,258 from the beginning of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

General Fund

In our General Fund, there was a gain of \$7,740 relating to budget expenditures close with revenues.

Major Road Fund

In our Major Road Fund, there was a gain of \$5,549 due to saving for future projects.

Local Road Fund

In our Local Road Fund, there was a loss of \$1,031 due to several projects during the fiscal year, which were paid from fund balance.

General Fund Budgetary Highlights

Over the course of the year, the Village Board did revise the budget.

There were several immaterial budget amendments done during the year. There were no significant budget variances during the fiscal year. Revenues were \$327 more than the budgeted \$41,500 and expenditures were \$7,288 less than the budgeted \$41,375.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 and 2007, the Village had \$1,186,369 and \$1,252,944 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment. (See table 3 below).

Table 3
Capital Assets at Year-End

	2008			2007		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Land	\$1,000	\$6,225	\$7,225	\$1,000	\$6,225	\$7,225
Buildings and improvements	62,250	1,107,088	1,169,338	64,325	1,169,292	1,233,617
Equipment and furnishings	5,780	4,026	9,806	7,710	4,392	12,102
TOTALS	<u>\$69,030</u>	<u>\$1,117,339</u>	<u>\$1,186,369</u>	<u>\$73,035</u>	<u>\$1,179,909</u>	<u>\$1,252,944</u>

There were no additions or deletions to Capital Assets during the current year end and depreciation expense of \$66,575 was recorded during the year.

Debt

At the end of fiscal year 2008 and 2007, the Village had \$185,000 and \$189,000 in bonds and notes outstanding as depicted in Table 4 below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 4
Outstanding Debt at Year-End

	2008			2007		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenue Bond	\$ -	\$185,000	\$185,000	\$ -	\$189,000	\$189,000
TOTALS	\$ -	\$185,000	\$185,000	\$ -	\$189,000	\$189,000

There were no new additions to debt for this year and principal payments were \$4,000. Further details on long-term debt can be found in the Footnotes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Village's budget for the year ending June 30, 2009, the Village considered the following issues:

We reviewed the fiscal year 2007 and 2008 budget vs. actual and budgeted roughly the same amounts, except for some minor variances.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Chatham, P.O. Box 167, Chatham, MI 49816.

Village of Chatham, Michigan

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and equivalents	\$ 217,142	\$ 189,380	\$ 406,522
Receivables (net)	14,113	9,940	24,053
Interfund receivables and payables	(5,095)	5,095	-
TOTAL CURRENT ASSETS	226,160	204,415	430,575
Non-current assets:			
Land and construction in progress	1,000	6,225	7,225
Other capital assets	133,378	2,323,135	2,456,513
Accumulated depreciation	(65,348)	(1,212,020)	(1,277,368)
Total Capital Assets	69,030	1,117,340	1,186,370
TOTAL NON-CURRENT ASSETS	69,030	1,117,340	1,186,370
TOTAL ASSETS	295,190	1,321,755	1,616,945
LIABILITIES:			
Current Liabilities:			
Accounts payable	7,130	-	7,130
Accrued liabilities	743	3,644	4,387
Deferred revenue	-	-	-
Current portion of bonds payable	-	5,000	5,000
Other current liabilities	-	3,777	3,777
TOTAL CURRENT LIABILITIES	7,873	12,421	20,294
Non-current Liabilities:			
Compensated absences	-	-	-
Bonds payable	-	180,000	180,000
TOTAL NON-CURRENT LIABILITIES	-	180,000	180,000
TOTAL LIABILITIES	7,873	192,421	200,294
NET ASSETS			
Invested in capital assets net of related debt	69,030	932,340	1,001,370
Restricted for:			
Debt Service	-	58,002	58,002
Unrestricted	218,287	138,992	357,279
TOTAL NET ASSETS	\$ 287,317	\$ 1,129,334	\$ 1,416,651

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 3,075	\$ -	\$ -	\$ -	\$ (3,075)	\$ -	\$ (3,075)
General Services and Administration	23,116	-	-	-	(23,116)	-	(23,116)
Public Safety	658	-	658	-	-	-	-
Public Works	45,485	10,425	33,827	-	(1,233)	-	(1,233)
Community and Economic Development	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-
Other	1,959	-	-	-	(1,959)	-	(1,959)
Unallocated Depreciation	2,075	-	-	-	(2,075)	-	(2,075)
Total Governmental Activities	76,368	10,425	34,485	-	(31,458)	-	(31,458)
Business Type Activities:							
Sewer Fund	28,298	21,102	-	-	-	(7,196)	(7,196)
Water Fund	84,735	54,201	-	-	-	(30,534)	(30,534)
Total Business Type Activities	113,033	75,303	-	-	-	(37,730)	(37,730)
TOTAL PRIMARY GOVERNMENT	\$ 189,401	\$ 85,728	\$ 34,485	\$ -	(31,458)	(37,730)	(69,188)
General Revenues:							
Taxes					19,349	-	19,349
Unrestricted State Sources					19,729	-	19,729
Interest and Investment Earnings					5,582	4,258	9,840
Miscellaneous					755	-	755
Transfers					-	-	-
TOTAL GENERAL REVENUES					45,415	4,258	49,673
CHANGE IN NET ASSETS					13,957	(33,472)	(19,515)
Net assets, beginning of year					273,360	1,162,806	1,436,166
NET ASSETS, END OF YEAR					\$ 287,317	\$ 1,129,334	\$ 1,416,651

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	Major Road Fund	Local Road Fund	Non-Major Governmental Funds (Liquor Law Fund)	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 45,504	\$ 98,830	\$ 53,916	\$ -	\$ 198,250
Receivables	2,585	-	-	-	2,585
Due from other governmental units	6,238	3,342	1,948	-	11,528
Due from other funds	-	858	772	-	1,630
TOTAL ASSETS	\$ 54,327	\$ 103,030	\$ 56,636	\$ -	\$ 213,993
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 71	\$ -	\$ 7,059	\$ -	\$ 7,130
Due to other funds	6,725	-	-	-	6,725
Accrued payroll and related	743	-	-	-	743
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	7,539	-	7,059	-	14,598
FUND BALANCE:					
Unreserved:					
General fund	46,788	-	-	-	46,788
Special revenue	-	103,030	49,577	-	152,607
TOTAL FUND BALANCE	46,788	103,030	49,577	-	199,395
TOTAL LIABILITIES AND FUND BALANCE	\$ 54,327	\$ 103,030	\$ 56,636	\$ -	\$ 213,993

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total Fund Balances for Governmental Funds \$ 199,395

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Land	1,000	
Capital assets	83,000	
Accumulated Deprecation of Assets	<u>(20,750)</u>	63,250

Internal Service Funds are used by management to administer the
activities of the Motor Vehicle and Equipment Fund. The assets and
liabilities of the internal service funds are included in the governmental
activities in the statement of net assets, net of capital assets.

Net Assets	<u>24,672</u>	<u>24,672</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 287,317

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2008

	General Fund	Major Road Fund	Local Road Fund	Non-Major Governmental Funds (Liquor Law Fund)	Total Governmental Funds
REVENUES:					
Taxes	\$ 19,349	\$ -	\$ -	\$ -	\$ 19,349
Licenses and Permits	-	-	-	-	-
State Sources	19,729	20,412	13,415	658	54,214
Charges for Services	-	-	-	-	-
Interest	1,994	2,260	926	-	5,180
Other	755	-	-	-	755
TOTAL REVENUES	41,827	22,672	14,341	658	79,498
EXPENDITURES:					
Legislative	3,075	-	-	-	3,075
General Services and Administration	23,116	-	-	-	23,116
Public Safety	-	-	-	658	658
Public Works	5,937	17,123	15,372	-	38,432
Community and Economic Development	-	-	-	-	-
Recreation and Culture	-	-	-	-	-
Other	1,959	-	-	-	1,959
TOTAL EXPENDITURES	34,087	17,123	15,372	658	67,240
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,740	5,549	(1,031)	-	12,258
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	-
Transfers (Out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
CHANGE IN FUND BALANCE	7,740	5,549	(1,031)	-	12,258
Fund balance, beginning of year	39,048	97,481	50,608	-	187,137
FUND BALANCE, END OF YEAR	\$ 46,788	\$ 103,030	\$ 49,577	\$ -	\$ 199,395

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	12,258
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -		
Depreciation expense	<u>(2,075)</u>		(2,075)

Internal Service Funds are used by management to administer the activities of the Motor Vehicle and Equipment Fund. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, net of capital assets.

3,774

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>13,957</u>
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The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2008

	Business - Type Activities Enterprise Funds			Governmental Activities
	Sewer System Fund	Water System Fund	Total	Internal Service Funds (Motor Vehicle and Equipment Fund)
ASSETS:				
Current Assets:				
Cash and equivalents	\$ 62,134	\$ 127,246	\$ 189,380	\$ 18,892
Accounts receivable, net	-	9,940	9,940	-
Due from other funds	2,395	2,984	5,379	-
TOTAL CURRENT ASSETS	<u>64,529</u>	<u>140,170</u>	<u>204,699</u>	<u>18,892</u>
Non-current Assets:				
Land	5,225	1,000	6,225	-
Capital assets	469,785	1,853,350	2,323,135	50,378
Accumulated depreciation	(333,992)	(878,028)	(1,212,020)	(44,598)
TOTAL NON-CURRENT ASSETS	<u>141,018</u>	<u>976,322</u>	<u>1,117,340</u>	<u>5,780</u>
TOTAL ASSETS	<u>\$ 205,547</u>	<u>\$ 1,116,492</u>	<u>\$ 1,322,039</u>	<u>\$ 24,672</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	284	284	-
Water deposits payable	-	3,644	3,644	-
Accrued interest payable	-	3,777	3,777	-
Current portion of long-term debt	-	5,000	5,000	-
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>12,705</u>	<u>12,705</u>	<u>-</u>
Non-current Liabilities:				
Bond payable	-	180,000	180,000	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>192,705</u>	<u>192,705</u>	<u>-</u>
NET ASSETS:				
Invested in capital assets net of related debt	141,018	791,322	932,340	5,780
Restricted - debt service	-	58,002	58,002	-
Unrestricted	64,529	74,463	138,992	18,892
TOTAL NET ASSETS	<u>\$ 205,547</u>	<u>\$ 923,787</u>	<u>\$ 1,129,334</u>	<u>\$ 24,672</u>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2008

	Business - Type Activities Enterprise Funds			Governmental Activities
	Sewer System Fund	Water System Fund	Total	Internal Service Funds (Motor Vehicle and Equipment Fund)
OPERATING REVENUES:				
Charges for services (net)	\$ 21,102	\$ 54,201	\$ 75,303	\$ 10,425
Other operating revenue	-	-	-	-
TOTAL OPERATING REVENUES	<u>21,102</u>	<u>54,201</u>	<u>75,303</u>	<u>10,425</u>
OPERATING EXPENSES:				
Personal services	6,526	10,707	17,233	-
Supplies	227	599	826	1,373
Other services and charges	9,617	11,291	20,908	3,750
Depreciation	11,928	50,643	62,571	1,930
TOTAL OPERATING EXPENSES	<u>28,298</u>	<u>73,240</u>	<u>101,538</u>	<u>7,053</u>
OPERATING INCOME (LOSS)	<u>(7,196)</u>	<u>(19,039)</u>	<u>(26,235)</u>	<u>3,372</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment income	1,393	2,865	4,258	402
Interest expense	-	(11,495)	(11,495)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,393</u>	<u>(8,630)</u>	<u>(7,237)</u>	<u>402</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(5,803)</u>	<u>(27,669)</u>	<u>(33,472)</u>	<u>3,774</u>
TRANSFERS IN/(OUT)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(5,803)</u>	<u>(27,669)</u>	<u>(33,472)</u>	<u>3,774</u>
Net assets, beginning of year	211,350	951,456	1,162,806	20,898
NET ASSETS, END OF YEAR	<u>\$ 205,547</u>	<u>\$ 923,787</u>	<u>\$ 1,129,334</u>	<u>\$ 24,672</u>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

	Business -Type Activities Enterprise Funds			Governmental Activities
	Sewer System Fund	Water System Fund	Total	Internal Service Funds (Motor Vehicle and Equipment Fund)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 21,102	\$ 55,449	\$ 76,551	\$ -
Other operating revenues	-	-	-	-
Cash payments to employees for services	6,526	10,707	17,233	-
Cash payments to suppliers for goods and services	(22,896)	(33,386)	(56,282)	3,774
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,732</u>	<u>32,770</u>	<u>37,502</u>	<u>3,774</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash payments for capital assets	(1)	(1)	(2)	1,528
(Increase) decrease in due from funds	(835)	(1,520)	(2,355)	-
Interest payments on bonds	-	(11,495)	(11,495)	-
Principal payments on bonds	-	(4,000)	(4,000)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(836)</u>	<u>(17,016)</u>	<u>(17,852)</u>	<u>1,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,393	2,865	4,258	402
Investments and restricted assets	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,393</u>	<u>2,865</u>	<u>4,258</u>	<u>402</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,289	18,619	23,908	5,704
Cash and cash equivalents, beginning of year	<u>56,845</u>	<u>108,627</u>	<u>165,472</u>	<u>13,188</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 62,134</u>	<u>\$ 127,246</u>	<u>\$ 189,380</u>	<u>\$ 18,892</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (7,196)	\$ (19,039)	\$ (26,235)	\$ 3,372
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	11,928	50,643	62,571	402
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	1,579	1,579	-
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in water deposits payable	-	(331)	(331)	-
Increase (decrease) in accrued interest	-	(82)	(82)	-
NET ADJUSTMENTS	<u>11,928</u>	<u>51,809</u>	<u>63,737</u>	<u>402</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,732</u>	<u>\$ 32,770</u>	<u>\$ 37,502</u>	<u>\$ 3,774</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Chatham, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Chatham, Michigan.

(1) REPORTING ENTITY

The Village of Chatham, Michigan is governed by an elected five member board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

(2) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(3) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state-shared revenue, grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village of Chatham, Michigan property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the Village of Chatham, Michigan as of the preceding December 31st.

Although the Village of Chatham, Michigan 2006 ad valorem tax is levied and collectible on July 1, 2007, it is the Village of Chatham, Michigan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Village of Chatham, Michigan totaled \$4,210,970, on which ad valorem taxes levied consisted of 3.9387 mills for the Village of Chatham's operating purposes. These amounts are recognized in the respective General Fund Financial Statements as revenue.

The Village of Chatham, Michigan reports the following major governmental funds:

- The **General Fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** is used to account for the maintenance and construction of a major street system.
- The **Local Street Fund** is used to account for the maintenance and construction of a local street system.

The Village of Chatham, Michigan reports the following major proprietary funds:

- The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.
- The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expense.

(4) ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to the General Fund.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 31st of the following year, at which time penalties and interest are assessed.

Restricted Assets – The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village of Chatham, Michigan as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated market value on the date of donation. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	25 years
Water and Sewage System	40 years
Infrastructure	10 to 50 years
Equipment	5 years

Compensated Absences (Vacation and Sick Leave) – The Village of Chatham, Michigan not does provide any compensated absences for their employees.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgets and Budgetary Accounting – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level:

- a. The Village President submits to the Village Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Village Hall to obtain taxpayer comment.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Village budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Village Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The President is authorized by means of Village policy to make certain transfers:
 - 1. The President receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals.
 - a) Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b) Will the transfer maintain the financial integrity of the Village?
 - c) Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the President will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the President and submitted to the Village Board of Trustees for their review and approval. If approved, they are implemented by the President through a budget revision.

- f. The Village adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Village Board of Trustees.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2008, the Village's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Total Primary Government
Cash and equivalents	\$217,142	\$189,380	\$406,522
Investments	-	-	-
	<u>\$217,142</u>	<u>\$189,380</u>	<u>\$406,522</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. State law does not require and the Village does not have a deposit policy for custodial credit risk. The carrying amounts of the Village's deposits with financial institutions were \$406,522 and the bank balance was \$408,957 bank balance is categorized as follows:

Amount insured by the FDIC	\$200,000
Amount uncollateralized and uninsured	208,957
	<u>\$408,957</u>

Investments

As of June 30, 2008, the Village did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Village's investments. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Village to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Village has no investment policy that would further limit its investment choices. Ratings are not required for the Village's investment in U.S. Government Agencies or equity-type funds. The Village's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – RECEIVABLES:

Receivables as of year-end for the government's individual major and non-major funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Road Fund	Local Road Fund	Water Fund	Total
Taxes Receivable	\$2,585	\$-	\$ -	\$-	\$2,585
Due from other Governmental Units	6,238	3,342	1,948	-	11,528
Utility Billings	-	-	-	9,940	9,940
Totals	\$8,823	\$3,342	\$1,948	\$9,940	\$24,053

NOTE E – CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

	Balance at July 1, 2007	Additions	Disposals	Balance at June 30, 2008
GOVERNMENTAL ACTIVITIES:				
Land	\$1,000	-	-	\$1,000
Total Capital Assets, not being depreciated	1,000	-	-	1,000
Buildings and improvements	83,000	-	-	83,000
Furniture and equipment	50,378	-	-	50,378
Total Capital Assets, being depreciated	133,378	-	-	133,378
Less Accumulated Depreciation:				
Building and improvements	(18,675)	(2,075)	-	(20,750)
Furniture and equipment	(42,668)	(1,930)	-	(44,598)
Total Accumulated Depreciation	(61,343)	(4,005)	-	(65,348)
Governmental Activities Capital Assets, Net	<u>\$73,035</u>	<u>\$ (4,005)</u>	<u>\$-</u>	<u>\$69,030</u>
BUSINESS-TYPE ACTIVITIES:				
Land	\$6,225	\$-	\$-	\$6,225
Total Capital Assets, not being depreciated	6,225	-	-	6,225
Buildings and improvements	2,315,815	-	-	2,315,815
Equipment	7,320	-	-	7,320
Total Capital Assets, being depreciated	2,323,135	-	-	2,323,135
Less Accumulated Depreciation:				
Buildings and improvements	(1,146,523)	(62,204)	-	(1,208,727)
Equipment	(2,928)	(366)	-	(3,294)
Total Accumulated Depreciation	(1,149,451)	(62,570)	-	(1,212,021)
Business-Type Capital Assets, Net	<u>\$1,179,909</u>	<u>\$ (62,570)</u>	<u>\$-</u>	<u>\$1,117,339</u>
TOTAL PRIMARY GOVERNMENT:				
Land	7,225	-	-	7,225
Total Capital Assets, not being depreciated	7,225	-	-	7,225
Buildings and improvements	2,398,815	-	-	2,398,815
Furniture and equipment	57,698	-	-	57,698
Total Capital Assets, being depreciated	2,456,513	-	-	2,456,513
Less Accumulated Depreciation:				
Buildings and improvements	(1,165,198)	(64,279)	-	(1,229,477)
Furniture and equipment	(45,596)	(2,296)	-	(47,892)
Total Accumulated Depreciation	(1,210,794)	(66,575)	-	(1,277,369)
Primary Government Capital Assets, Net	<u>\$1,252,944</u>	<u>\$ (66,575)</u>	<u>\$-</u>	<u>\$1,186,369</u>

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

Governmental Activities:		
Unallocated Depreciation		\$2,075
Public Works		1,930
Total Depreciation Expense – Governmental Activities		<u>\$4,005</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:		
Sewer Fund		\$11,928
Water Fund		50,642
Total Depreciation Expense – Business-Type Activities		<u>\$62,570</u>

NOTE F – DUE TO/FROM OTHER FUNDS:

Village of Chatham, Michigan reports Interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of Interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in Interfund receivables and payables are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS		
	General Fund	Water Fund	Total Due To Other Funds
Major Road Fund	\$858	\$-	\$858
Local Road Fund	772	-	772
Sewer Fund	2,111	284	2,395
Water Fund	2,984	-	2,984
Total Due From Other Funds	<u>\$6,725</u>	<u>\$284</u>	<u>\$7,009</u>

All balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE G – LONG-TERM DEBT:

Junior Lien Water System Bond June 30, 2008				
	August 1	February 1		Total
	Interest	Interest	Principal	
2008-2009	\$5,666	\$5,666	\$5,000	\$16,332
2009-2010	5,513	5,513	5,000	16,026
2010-2011	5,359	5,359	5,000	15,718
2011-2012	5,206	5,206	6,000	16,412
2012-2013	5,023	5,023	6,000	16,046
2013-2014	4,839	4,839	7,000	16,678
2014-2015	4,624	4,624	7,000	16,248
2015-2016	4,410	4,410	7,000	15,820
2016-2017	4,196	4,196	8,000	16,392
2017-2018	3,951	3,951	8,000	15,902
2018-2019	3,706	3,706	9,000	16,412
2019-2020	3,430	3,430	10,000	16,860
2020-2021	3,124	3,124	10,000	16,248
2021-2022	2,818	2,818	11,000	16,636
2022-2023	2,481	2,481	11,000	15,962
2023-2024	2,144	2,144	12,000	16,288
2024-2025	1,776	1,776	13,000	16,552
2025-2026	1,378	1,378	14,000	16,756
2026-2027	949	949	15,000	16,898
2027-2028	490	490	16,000	16,980
TOTALS	<u>\$71,083</u>	<u>\$71,083</u>	<u>\$185,000</u>	<u>\$327,166</u>

The Bond was originally issued for \$217,000 on February 1, 1988. Bond Payments are due Semi-annually, February 1 (principal plus interest) and August 1 (interest), with an interest rate of 6.125%.

	July 1, 2007	Additions	Subtractions	June 30, 2008
Business-Type Activities:				
Junior Lien Water Revenue Bond	\$189,000	\$-	\$4,000	\$185,000
Total Business-Type Activities	<u>189,000</u>	<u>-</u>	<u>4,000</u>	<u>185,000</u>
 TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	 <u>\$189,000</u>	 <u>\$ -</u>	 <u>\$4,000</u>	 <u>\$185,000</u>

NOTE H – RESERVED AND DESIGNATED NET ASSETS:

The Water Fund has reserved net assets totaling \$58,002 which represents the balance available to pay down debt.

NOTE I – RISK MANAGEMENT:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has obtained commercial insurance to handle its risk of loss.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

Village of Chatham, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 18,000	\$ 18,000	\$ 19,349	\$ 1,349
State Sources	21,000	21,000	19,729	(1,271)
Interest	2,000	2,000	1,994	(6)
Other Revenues	500	500	755	255
TOTAL REVENUES	41,500	41,500	41,827	327
EXPENDITURES:				
Legislative	4,800	4,800	3,075	1,725
General Services and Administration	27,975	27,975	23,116	4,859
Public Works	6,000	6,000	5,937	63
Community and Economic Development	-	-	-	-
Other	2,600	2,600	1,959	641
TOTAL EXPENDITURES	41,375	41,375	34,087	7,288
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125	125	7,740	7,615
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	125	125	7,740	7,615
Fund balance, beginning of year	39,048	39,048	39,048	-
FUND BALANCE, END OF YEAR	\$ 39,173	\$ 39,173	\$ 46,788	\$ 7,615

Village of Chatham, Michigan

MAJOR ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
State Sources	\$ 21,000	\$ 21,000	\$ 20,412	\$ (588)
Interest	1,500	1,500	2,260	760
Other Revenue	10,000	10,000	-	(10,000)
TOTAL REVENUES	32,500	32,500	22,672	(9,828)
EXPENDITURES:				
Public Works	18,450	18,450	17,123	1,327
TOTAL EXPENDITURES	18,450	18,450	17,123	1,327
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,050	14,050	5,549	(8,501)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	14,050	14,050	5,549	(8,501)
Fund balance, beginning of year	97,481	97,481	97,481	-
FUND BALANCE, END OF YEAR	\$ 111,531	\$ 111,531	\$ 103,030	\$ (8,501)

Village of Chatham, Michigan

LOCAL ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 13,500	\$ 13,500	\$ 13,415	\$ (85)
Interest	1,000	1,000	926	(74)
Other Revenue	4,000	4,000	-	(4,000)
TOTAL REVENUES	18,500	18,500	14,341	(4,159)
EXPENDITURES:				
Public Works	18,300	18,300	15,372	2,928
TOTAL EXPENDITURES	18,300	18,300	15,372	2,928
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	200	200	(1,031)	(1,231)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	200	200	(1,031)	(1,231)
Fund balance, beginning of year	50,608	50,608	50,608	-
FUND BALANCE, END OF YEAR	\$ 50,808	\$ 50,808	\$ 49,577	\$ (1,231)

Other Supplemental Information

Village of Chatham, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 14,000	\$ 14,744	\$ 744
Delinquent property taxes	2,000	2,585	585
Payment in lieu of taxes	2,000	2,020	20
Penalties and interest on taxes	-	-	-
Total Taxes	18,000	19,349	1,349
State Sources:			
State revenue sharing	21,000	19,729	(1,271)
Total State Sources	21,000	19,729	(1,271)
Interest & Rentals			
Interest	1,200	1,194	(6)
Charter rental	800	800	-
Total Interest	2,000	1,994	-
Other Revenues:			
Miscellaneous other	500	755	255
Total Other Revenues	500	755	255
TOTAL REVENUES	41,500	41,827	333
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	4,800	3,075	1,725
Supplies	-	-	-
Other services and charges	-	-	-
TOTAL LEGISLATIVE	4,800	3,075	1,725
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	3,000	3,000	-
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	3,000	3,000	-
Assessing:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	1,060	-	1,060
Total Assessing	1,060	-	1,060

Village of Chatham, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Clerk:			
Personnel services	\$ 3,000	\$ 3,000	\$ -
Supplies	-	-	-
Other services and charges	-	-	-
Total Clerk	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Treasurer:			
Personnel services	3,000	3,200	(200)
Supplies	-	-	-
Other services and charges	465	251	214
Total Treasurer	<u>3,465</u>	<u>3,451</u>	<u>14</u>
Township Hall and Grounds:			
Personnel services	1,000	474	526
Supplies	1,300	508	792
Other services and charges	15,150	12,683	2,467
Total Township Hall and Grounds	<u>17,450</u>	<u>13,665</u>	<u>3,785</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>27,975</u>	<u>23,116</u>	<u>4,859</u>
PUBLIC WORKS:			
Streetlights:			
Other services and charges	<u>6,000</u>	<u>5,937</u>	<u>63</u>
TOTAL PUBLIC WORKS	<u>6,000</u>	<u>5,937</u>	<u>63</u>
COMMUNITY AND ECONOMIC DEVELOPMENT			
Zoning:			
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FUNCTIONS:			
Payroll taxes	<u>2,600</u>	<u>1,959</u>	<u>641</u>
TOTAL OTHER FUNCTIONS	<u>2,600</u>	<u>1,959</u>	<u>641</u>
TOTAL EXPENDITURES	<u>41,375</u>	<u>34,087</u>	<u>7,288</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>125</u>	<u>7,740</u>	<u>7,621</u>

Village of Chatham, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Transfers In	\$ -	\$ -	\$ -
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	125	7,740	7,621
Fund balance, beginning of year	39,048	39,048	-
FUND BALANCE, END OF YEAR	<u>\$ 39,173</u>	<u>\$ 46,788</u>	<u>\$ 7,621</u>

Village of Chatham, Michigan

MAJOR GOVERNMENTAL FUNDS

MAJOR ROAD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State Revenue:			
Michigan transportation funds	\$ 21,000	\$ 20,412	\$ (588)
Other state grants	-	-	-
Total State Revenue	21,000	20,412	(588)
Interest:			
Interest income	1,500	2,260	760
Total Interest	1,500	2,260	760
Other Revenue:			
Other revenue	10,000	-	(10,000)
Total Other Revenue	10,000	-	(10,000)
TOTAL REVENUES	32,500	22,672	(9,828)
EXPENDITURES:			
Public Works:			
Streets:			
Personnel services	2,200	1,911	289
Supplies	100	-	100
Other services and charges	6,150	5,212	938
Capital outlay	10,000	10,000	-
Total Public Works	18,450	17,123	1,327
TOTAL EXPENDITURES	18,450	17,123	1,327
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,050	5,549	(8,501)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	14,050	5,549	(8,501)
Fund balance, beginning of year	97,481	97,481	-
FUND BALANCE, END OF YEAR	\$ 111,531	\$ 103,030	\$ (8,501)

Village of Chatham, Michigan

MAJOR GOVERNMENTAL FUNDS

LOCAL ROAD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State Revenue:			
Michigan transportation funds	\$ 12,000	\$ 11,889	\$ (111)
Metro authority monies	1,500	1,526	26
Total State Revenue	13,500	13,415	(85)
Interest:			
Interest income	1,000	926	(74)
Total Interest	1,000	926	(74)
Other Revenue:			
Other revenue	4,000	-	(4,000)
Total Other Revenues	4,000	-	(4,000)
TOTAL REVENUES	18,500	14,341	(4,159)
EXPENDITURES:			
Public Works			
Streets:			
Personnel services	2,200	1,904	296
Supplies	100	-	100
Other services & charges	16,000	13,468	2,532
Capital outlay	-	-	-
Total Public Works	18,300	15,372	2,928
TOTAL EXPENDITURES	18,300	15,372	2,928
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	200	(1,031)	(1,231)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	200	(1,031)	(1,231)
Fund balance, beginning of year	50,608	50,608	-
FUND BALANCE, END OF YEAR	\$ 50,808	\$ 49,577	\$ (1,231)

Village of Chatham, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE
LIQUOR LAW FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State Sources:			
State liquor fees	\$ 650	\$ 658	\$ 8
TOTAL REVENUES	650	658	8
EXPENDITURES:			
Public Safety:			
Liquor Law Enforcement			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	650	658	(8)
Capital outlay	-	-	-
Total Public Safety	650	658	(8)
TOTAL EXPENDITURES	650	658	(8)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	-	-	-
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable President and Village Board of Trustees
Village of Chatham, Michigan
PO BOX 167
Chatham, MI 49816

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Chatham, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Village of Chatham, Michigan's basic financial statements and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Chatham, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Chatham, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Chatham, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Chatham, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Chatham, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Chatham, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as items 08-01, 08-02, 08-03, and 08-04.

To the Honorable President and Village Board of Trustees
Village of Chatham, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Chatham, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Chatham, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying report to management as items 08-05.

Village of Chatham, Michigan's response to the findings identified in our audit is described in the accompanying report to management. We did not audit Village of Chatham, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Village Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman, & Company, P.L.C.
Certified Public Accountants

November 14, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

*Village of Chatham, Michigan
Report to Management Letter
For the Year Ended June 30, 2008*

Village of Chatham, Michigan
Board of Trustees
PO BOX 167
Chatham, Michigan 49816

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Chatham, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Chatham, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 - Financial Reporting Cycle

Condition/Criteria: The monthly and year end financial reporting package as presented to the Board of Trustees is not fully compliant with the generally accepted accounting principles of reporting. The Board of Trustees should be reviewing a balance sheet and income statement for each fund on a monthly basis.

Village of Chatham, Michigan
Board of Trustees

Effect: The lack of a full set of financial statements, including a balance sheet and statement of revenues and expenditures, results in the Board of Trustees' inability to determine the funds' financial positions.

Cause of Condition: Failure to include a full set of financial statements in the financial reporting package as presented to the Board of Trustees.

Recommendation: The Village should expand the financial reporting package as presented to the Board of Trustees to include the balances sheets and statements of revenue and expenditures to conform to current reporting standards. We also suggest any significant monthly and year end cut-off adjusting entries be incorporated into the financial statements in order to present a clearer picture of the various funds of the Village. The Board of Trustees should document review of the financial affairs in the minutes of the meeting as well as other financial events.

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Janet Braun, Clerk
- Corrective Action Planned:
 - The full set of financial statements will be included as part of the financial reporting package as presented to the Board of Trustees and the Board of Trustees will document this review of the financial affairs in the minutes of the meeting as well as other financial events.
- Anticipated Completion Date:
 - June 30, 2009

08-02 (REPEAT) - ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Cause of Condition: The staff of the Village does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Paul Whitmarsh, President
- Corrective Action Planned:
 - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the audit report.
- Anticipated Completion Date:
 - June 30, 2009

08-03 (REPEAT) - CASH RECONCILIATIONS

Condition/Criteria: Although the Village of Chatham's cash is being reconciled between the bank statement and general ledger, however, there are outstanding items in the reconciliation that are not actual outstanding items, but mistakes in the depositing and transferring of funds in the general ledger. The basis of strength in any system of sound internal control is a strong reconciliation function.

Effect: Because the cash accounts have incorrect items listed as outstanding in the cash reconciliations, there is activity that is incorrect in the general ledger during the year and creates a lack of internal controls.

Cause of Condition: Failure to properly reconcile the general ledger to the bank accounts.

Recommendation: We suggest, and good internal control dictates, the general ledger accounts are reconciled on a monthly basis with the appropriate accounting entries being made to the system, with a close review of all outstanding items for accuracy. This will insure accurate financial reporting on an interim basis for decision making by the Board of Trustees and management.

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Monica Weis, Treasurer
- Corrective Action Planned:
 - The Village is planning on incorporating improved cash reconciliation procedures in the coming fiscal year.
- Anticipated Completion Date:
 - June 30, 2009

08-04 (REPEAT) - CASH RECEIPTING SYSTEM (REPEAT)

Condition/Criteria: The Village of Chatham does not use either a manual or computer system for cash receipting. The Village of Chatham fills out a deposit slip, files the supporting documentation in various places and enters the deposit into the general ledger. The basis of strength in any system of sound internal control is a strong cash receipting function.

Effect: Because the cash receipting is done by deposit slip information and not by cash receipt with the following information: (Date received, Amount received, Purpose, Customer Name, Revenue Account Classification, Name or person accepting receipt, receipt number, form of payment and attached supporting documentation) there is information being lost and incorrectly posted in the general ledger during the year and creates a lack of internal controls.

Cause of Condition: Failure to properly develop cash receipting system when converting from a manual system to a computer system.

Recommendation: We suggest, and good internal control dictates, that the use of a receipt book insure that the information be used to enter cash receipts into the general ledger is accurate. The information on the receipt should include Date received, Amount received, Purpose, and Customer Name, Revenue Account Classification, Name or person accepting receipt, receipt number, form of payment and attached supporting documentation. This will insure accurate financial reporting on an interim basis for decision making by the Board of Trustees and management.

Village of Chatham, Michigan
Board of Trustees

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Monica Weis, Treasurer
- Corrective Action Planned:
 - The Village is planning on incorporating improved cash receipting procedures in the coming fiscal year.
- Anticipated Completion Date:
 - June 30, 2009

INSTANCE OF NON-COMPLIANCE

08-05 (REPEATED) - UNIFORM BUDGETING AND ACCOUNTING ACT (PA621)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that villages shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village of Chatham had actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2008, the Village of Chatham incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The Village of Chatham is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Village of Chatham should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response - Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Janet Braun, Clerk
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - June 30, 2009

This communication is intended solely for the information and use of management, Village of Chatham, Michigan, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

November 14, 2008